

Message Text

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ACTION EB-07

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C O N F I D E N T I A L GENEVA 1212

E.O. 11652: GDS

TAGS: GATT ETRD

SUBJECT: GATT BALANCE OF PAYMENTS COMMITTEE SPECIAL SESSION

REF: (A) STATE 36542; (B) GENEVA 907; (C) GATT SPEC (75)1

SUMMARY: BOP COMMITTEE AGREED SEND DRAFT REPORT TO COUNCIL AS PURELY FACTUAL DESCRIPTION OF RECENT ACTIVITIES AND WORK ON LATER REPORT LISTING SOME INCONSISTANCIES IN CURRENT COMMITTEE ACTIVITIES. MOST MEMBERS FEEL GATT BOP PRECEDURES NEED REFORM, POSSIBLY IN MTN, BUT MANY WANT TO GO SLOWLY. FRANCE DOESN'T WANT TO GO AT ALL. MORE SUBSTANTIVE DISCUSSION DUE IN APRIL. END SUMMARY.

1. DURING FEBURARY 19 SPECIAL SESSION GATT BOP COMMITTEE, CHAIRMAN DUNKEL SAID HE DID NOT EXPECT DELS TO BE FULLY IN-STRUCTURED ON SUBSTANCE OF QUESTIONS RAISED BY DRAFT REPORT. HE THEREFORE ASKED COMMITTEE SIMPLY AGREE PASS THIS REPORT TO COUNCIL AND SAY IT REPRESENTED FACTUAL SURVEY OF WHAT COMMITTEE HAD DONE OVER LAST FIVE YEARS. US SAID
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WE COULD ACCEPT REPORT AS BASIS FURTHER EXAMINATION

THIS SUBJECT AND SUGGESTED MINOR CHANGES MENTIONED
PARA 3 REFTEL (A). NO CHANGES OF SUBSTANCE MADE TO
REPORT, WHICH WAS ACCEPTED FOR EVENTUAL TRANSMITTAL
TO COUNCIL.

2. DUNKEL SUGGESTED COMMITTEE SHOULD AS NEXT STAGE
(A) DISCUSS POSSIBILITY OF IMPROVING ITS WORK ON
MATTERS FALLING WITHIN CURRENT TERMS OF REFERENCE, AND
(B) EVENTUALLY UNDERSCORE MORE SIGNIFICANT BOP PROCEDURE
PROBLEMS FOR COUNCIL'S ATTENTION. DUNKEL SAID HE NOT
TRYING GLORIFY OWN COMMITTEE AND INDEED AWARE BROAD-
RANGING QUESTIONS MAY EVENTUALLY BE TREATED IN MTN.
DUNKEL LISTED SOME THINGS COMMITTEE MIGHT WISH LATER
CONSIDER FLAGGING FOR COUNCIL TO REFLECT UPON:

--QUESTION OF IMPROVEMENT IN WORKING PROCEDURES OF
COMMITTEE, E.G., WHETHER SURCHARGES MIGHT BE HANDLED
UNDER CURRENT TERMS OF REFERENCE OF COMMITTEE

--POSSIBILITY OF EXAMINING CURRENT STATE OF IMF-GATT
COORDINATION ON BOP MATTERS

--QUESTION OF WHETHER TO GO EVEN FURTHER, E.G.,
TURN OVER TO THE MTN A PACKAGE OF PROPOSALS OR
EXAMINE HOW D.G. LONG'S GATT MANAGEMENT GROUP PRO-
POSALS MIGHT RELATE TO SUBJECT OF BOP PROCEDURE
REFORM

--PROBLEM OF HOW TO DEAL WITH MEASURES NOT COVERED
WITHIN COMMITTEE'S EXISTING TERMS OF REFERENCE

3. US SAID WE COULD OFFER NO COMMENTS ON THOSE POINTS
AT FEBURARY 19 MEETING BUT THERE CLEARLY GROWING
PRESSURE FOR ADOPTION NEW BOP RESTRICTIONS AND WE
BELIEVE IMPROVEMENTS CAN AND SHOULD BE MADE IN GATT
BOP PROCEDURES. US SAID RULES SHOULD BE CHANGED TO
ALLOW SURCHARGES FOR BOP PURPOSES AND EXISTING RULES
SHOULD BE EXAMINED WITH VIEW TO DEALING WITH COUNTRIES
WHICH EVADE BOP CONSULTATION PROCEDURES. WE EMPHASIZED
THAT QUESTIONS OF GATT BOP PROCEDURE REFORM NEED NOT
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NECESSARILY BE HANDLED IN COMMITTEE, ESPECIALLY IN
LONG RUN, AS MTN MIGHT WISH BECOME ACTIVE IN THIS
AREA. HOWEVER, WE HOPED FOR SOME EXCHANGE OF VIEWS IN
BOP COMMITTEE, INCLUDING EARLY INFORMAL DISCUSSIONS IF
POSSIBLE.

4. EC AGREED TO EVENTUAL REPORT TO COUNCIL WHICH WOULD
CITE SOME PROCEDURES WHICH MIGHT NEED BE IMPROVED

WITHIN CURRENT TERMS OF REFERENCE. HOWEVER, EC SAID BECAUSE OF MTN ALL DELS ARE NOW "SPEAKING IN NEGOTIATING CONTEXT", AND THEREFORE FUNDEMENTAL CHANGES SHOULD BE CONSIDERED CAUTIOUSLY. JAPAN ALSO AGREED WITH IDEA OF SUCH REPORT AND SUPPORTED US ON NEED FOR AT LEAST INFORMAL DISCUSSION, BUT CITED NEED PROCEED CAUTIOUSLY. SWEDEN AGREED WITH JAPAN ON ALL THREE POINTS AND ADDED SWEDEN IS "POSITIVE TO THIS WORK AND ITS INTENTIONS". FINLAND DOUBTED WHETHER COMMITTEE EXAMINATION COULD GO FAR WITH MTN AT WORK. CANADA SAID WORK IS IMPOR- TANT AND SHOULD PROCEED BUT SHOULD BE CONDUCTED CAUTIOUSLY AND IN CLOSE CONTACT WITH MTN.

5. IN LATER BILATERAL DISCUSSIONS, THE FOLLOWING ADDITIONAL PROVATE RPT PRIVATE VIEWS WERE EXPRESSED. CANADA SAID THEY AGREE WITH NEED FOR REFORM BUT HAVING DIFFICULT TIME GETTING SPECIFIC INSTRUCTIONS FROM OTTAWA. FRG AGREED NEED FOR GATT BOP PROCEDURE REFORM WAS GREAT BUT FELT MTN SHOULD MOVE INTO THIS AREA, THAT BOP COMMITTEE'S ROLE SHOULD BE SHORT AND LIMITED. FRG DID NOT, HOWEVER, SEEM WANT MTN TO ADDRESS MATTER EARLY. JAPAN HAD "GO CAUTIOUSLY" INSTRUCTIONS BUT WOULD LIKE TO HAVE MORE INFORMAL IDEA EXPRESSED BY ALL MEMBERS OF COMMITTEE. FRANCE DOESN'T WANT TO DO ANYTHING NOW OR LATER, NOT IN MTN EITHER, UNTIL ALL QUESTIONS ON WORLD MONETARY SYSTEM ARE SETTLED--REGARDLESS OF HOW LONG THAT MIGHT TAKE. IN INTERIM, "EVEN IF IT TAKES UNTIL 1990", FRANCE IS HAPPY WITH EXISTING GATT BOP PROCEDURES, WHEREBY "LITTLE FISH" APPEAR BEFORE COMMITTEE AND "BIG FISH LIKE US AND FRANCE" ESCAPRE WITH SPECIAL WORKING PARTIES. UK SAID THEY CONCERNED THAT BOP COMMITTEE ACTIVITIES COULD LEAD TO REVIVAL OF D.G. LONG'S CONFIDENTIAL

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MANAGEMENT COMMITTEE PROPOSAL ON GATT/IMF COORDINATION BUT DO AGREE ON NEED TO REWORK GATT BOP PROCEDURES IN SOME FORUM. IN FACT, UK REP REPORTED FRANCE IS COM- PLETELY ISOLATED WITHIN EC IN ITS VIEW THAT GATT BOP PROCEDURE HAS TO AWAIT MONETARY REFORM.

6. NEXT MEETING OS COMMITTEE WILL BE WEEK OF APRIL 21-25, AT WHICH TIME DUNKEL HOPES RECEIVE MORE SUB- STANTIVE COMMENTS.

7. ACTION REQUESTED: WOULD APPRECIATE GUIDANCE ON HOW RESPOND TO SPECIFIC SUGGESTIONS MADE BY DUNKEL IN PARA 2 ABOVE AND WOULD WELCOME ANY FURTHER GENERAL GUIDANCE ON HOW US WOULD LIKE TO SEE DISCUSSION DEVELOP IN LIGHT OF FEBURARY 19 SESSION. DALE

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